

HEALTH QUALITY COUNCIL

FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Health Quality Council which comprise the statement of financial position as at March 31, 2017, and the statement of operations, statement of change in net assets, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

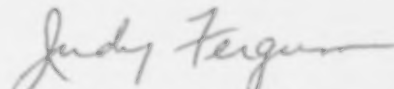
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Health Quality Council as at March 31, 2017, and the results of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
July 12, 2017


Judy Ferguson, FCPA, FCA
Provincial Auditor

HEALTH QUALITY COUNCIL
STATEMENT OF FINANCIAL POSITION
(thousands of dollars)

As at March 31	2017	2016
Financial assets		
Cash	\$ 160	\$ 1,015
Accounts receivable	1,679	195
Accrued interest receivable	22	41
Short-term investments (Note 3)	1,571	5,002
	<u>3,432</u>	<u>6,253</u>
Liabilities		
Accounts payable	270	252
Payroll liabilities	135	140
Deferred Revenues (Note 5)	482	-
	<u>887</u>	<u>392</u>
Net financial assets	<u>2,545</u>	<u>5,861</u>
Non-financial assets		
Tangible capital assets (Note 2c & Note 4)	54	84
Prepaid expenses and deposits	84	64
	<u>138</u>	<u>148</u>
Accumulated surplus	<u>\$ 2,683</u>	<u>\$ 6,009</u>
Contractual commitments (Note 10)		

(See accompanying notes to the financial statements)

HEALTH QUALITY COUNCIL
STATEMENT OF OPERATIONS
(thousands of dollars)

For the year ended March 31

	2017	2016
	Budget (Note 8)	Actual
Revenue		Actual
Saskatchewan Health		
- Operating Grant	\$ -	\$ -
- Provincial Emergency Department Waits and Patient Flow Initiative	-	892
- Improving Appropriateness for MRI of the Lumbar Spine	-	100
- Safety Alert System - Provincial Kaizen Operations Team	-	277
- Saskatchewan Surgical Initiative Appropriateness Project	-	-
University of Saskatchewan		
- Canadian Institutes of Health Research	-	7
- Drug Safety & Effectiveness Network	205	228
- Inflammatory Bowel Disease	-	-
- Lung Cancer Screening	-	47
- Quality of Care Gaps for Rheumatic Disease	-	15
- Saskatchewan Centre for Patient Oriented Research	762	1,538
- Saskatchewan Drug Utilization & Outcome Research Team	138	106
- Vitamin D in Long Term Care	-	4
- Other	126	34
Choosing Wisely Canada		
Chronic Diseases Epidemiology	-	25
Pediatric Asthma	-	6
Prince Albert Parkland Regional Health	-	12
Saskatchewan Medical Association	200	80
Saskatoon Regional Health Authority	-	-
Other	-	37
Interest	-	57
Gain on Disposal of Tangible Capital Assets	-	-
	<u>1,431</u>	<u>3,465</u>
		<u>5,674</u>
Expenses		
Project funding	1,475	1,088
Grants	235	332
Wages and benefits	4,933	4,684
Travel	209	141
Administrative and operating expenses	114	111
Honoraria and expenses of the board	135	62
Amortization expense	75	51
Rent	350	322
	<u>7,526</u>	<u>6,791</u>
		<u>6,495</u>
Annual deficit	<u>\$ (6,095)</u>	<u>(3,326)</u>
Accumulated surplus, beginning of year		<u>6,009</u>
Accumulated surplus, end of year		<u>\$ 2,683</u>
		<u>\$ 6,009</u>

(See accompanying notes to the financial statements)

HEALTH QUALITY COUNCIL
STATEMENT OF CHANGE IN NET ASSETS
(thousands of dollars)

For the year ended March 31	<u>2017</u>	<u>2016</u>
Annual deficit	\$ (3,326)	\$ (821)
Acquisition of tangible capital assets	(21)	(61)
Amortization of tangible capital assets	51	56
	<u>30</u>	<u>(5)</u>
Acquisition of prepaid expense	(84)	(64)
Use of prepaid expense	64	162
	<u>(20)</u>	<u>98</u>
Decrease in net financial assets	(3,316)	(728)
Net financial assets, beginning of year	<u>5,861</u>	<u>6,589</u>
Net financial assets, end of year	<u>\$ 2,545</u>	<u>\$ 5,861</u>

(See accompanying notes to the financial statements)

HEALTH QUALITY COUNCIL
STATEMENT OF CASH FLOWS
(thousands of dollars)

For the year ended March 31	2017	2016
Operating transactions		
Annual deficit	\$ (3,326)	\$ (821)
Non-cash items included in annual deficit:		
Amortization of tangible capital assets	51	56
Net change in non-cash working capital items:		
Deferred revenue	482	-
Accrued interest receivable	19	(12)
Accounts receivable	(1,484)	48
Prepaid expenses	(20)	98
Accounts payable	18	(119)
Payroll liabilities	(6)	(140)
Cash used by operating transactions	(4,266)	(890)
Capital transactions		
Cash used to acquire tangible capital assets	(21)	(61)
Proceeds from disposal of capital assets	1	1
Cash applied to capital transactions	(20)	(60)
Investing Transactions		
Purchases of investments	(3,377)	(6,001)
Proceeds from disposal/redemption of investments	6,808	7,030
Cash provided by investing transactions	3,431	1,029
Increase/(Decrease) in cash and cash equivalents	(855)	79
Cash and cash equivalents, beginning of year	1,015	936
Cash and cash equivalents, end of year	\$ 160	\$ 1,015

(See accompanying notes to the financial statements)

**HEALTH QUALITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2017**

1. Establishment of the Council

The *Health Quality Council Act* was given royal assent on July 10, 2002 and proclaimed on November 22, 2002. The Health Quality Council (HQC) measures and reports on quality of care in Saskatchewan, promotes continuous quality improvement, and engages its partners in building a better health system. HQC commenced operations on January 1, 2003.

2. Accounting Policies

Pursuant to standards established by the Public Sector Accountants Standards Board (PSAB) and published by Chartered Professional Accounts (CPA) Canada, HQC is classified as an 'other government organization'. Accordingly, HQC uses Canadian generally accepted accounting principles applicable to public sector. A Statement of Remeasurement Gains and Losses has not been prepared as HQC does not have any remeasurement gains or losses. The following accounting policies are considered significant.

a) Operating Revenues and Expenses

For the operations of HQC, the primary revenue is contributions from the Saskatchewan Ministry of Health (Ministry of Health). Other sources of revenue include conference registrations, interest and miscellaneous revenue.

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year when related expenses are incurred. Interest earned on restricted contributions accrues to the benefit of the restricted program.

Government transfers/grants are recognized in the period the transfer is authorized and any eligibility criteria is met.

b) Measurement Uncertainty

The preparation of financial statements in accordance with PSAB accounting standards requires HQC's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of commitments at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

c) Tangible Capital Assets

Tangible capital assets are reported at cost less accumulated amortization. Purchases valued at \$1,000 or greater are recorded as a capital asset. Leasehold improvements are amortized over the length of the original lease. The current lease has been extended to December 31, 2018. Amortization is recorded on a straight-line basis at rates based on estimated useful lives of the tangible capital assets as follows:

Office Furniture	10 years
Office Equipment	5 years
Computer Hardware	3 years
Computer Software	3 years
Leasehold Improvements	life of lease

Normal maintenance and repairs are expensed as incurred.

d) Investments

Investments are valued at amortized cost.

e) New accounting standards not yet in effect

A number of Canadian public sector accounting standards and amendments to standards are not yet effective for the Council and have not been applied in preparing these financial statements. The following standards will become effective as follows:

- I. PS 2200 Related Party Disclosures (effective April 1, 2017), a new standard defining related parties and establishing guidance for related party transactions.
- II. PS 3210 Assets (effective April 1, 2017), a new standard providing guidance for applying the definition of assets and establishing disclosure requirements for assets.
- III. PS 3320 Contingent Assets (effective April 1, 2017), a new standard defining and establishing guidance on disclosure requirements for contingent assets.
- IV. PS 3380 Contractual Rights (effective April 1, 2017), a new standard defining and establishing guidance on disclosure requirements for contractual rights.
- V. PS 3420 Inter-Entity Transactions (effective April 1, 2017), a new standard establishing guidance on accounting for and reporting transactions between organizations in the government reporting entity.

HQC plans to adopt, when applicable, these new and amended standards on the effective date, and is currently analyzing the impact this will have on future financial statements.

3. Short-Term Investments

HQC held investments in the amount of \$1,570,652 as described below at March 31, 2017. The current investments are short-term, held for a period of one year or less.

	2017	
	Carrying Value (000's)	Interest Rate
Term Deposits		
Raymond James	\$ 410	1.45%
Raymond James	\$ 400	1.40%
Raymond James	\$ 761	1.40%
Total Investment	\$ <u>1,571</u>	

4. Tangible Capital Assets

The recognition and measurement of tangible capital assets is based on their service potential.

	Office Furniture & Equipment	Computer Hardware & Software	Leasehold Improvements	2017 Totals	2016 Totals
	(thousands of dollars)				
Opening cost	\$ 209	\$ 665	\$ 70	\$ 944	\$ 891
Additions	4	17	-	21	61
Disposals	(1)	-	-	(1)	(8)
Closing cost	<u>212</u>	<u>682</u>	<u>70</u>	<u>964</u>	<u>944</u>
Opening accumulated amortization	181	614	65	860	812
Annual Amortization	10	39	2	51	56
Disposals	(1)	0	-	(1)	(8)
Closing accumulated amortization	<u>190</u>	<u>653</u>	<u>67</u>	<u>910</u>	<u>860</u>
Net book value of tangible capital assets	<u>\$ 22</u>	<u>\$ 29</u>	<u>\$ 3</u>	<u>\$ 54</u>	<u>\$ 84</u>

5. **Deferred Revenues**

	Beginning balance	Amount received	Amount recognized	Ending balance
	(thousands of dollars)			
Saskatchewan Medical Association	562	-	80	482
Totals	\$ 562	\$ -	\$ 80	\$ 482

(a) **Saskatchewan Medical Association**

The Saskatchewan Medical Association provided funding to HQC to develop a Clinical Quality Improvement Program for clinicians working in the province.

6. **Related Party Transactions**

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards, and commissions related to HQC by virtue of common control by the Government of Saskatchewan, and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Other transactions with related parties and amounts due to or from them are described separately in these financial statements and notes thereto.

Routine operating transactions with related parties are recorded at the agreed upon rates charged by those organizations and are settled on normal trade terms.

Below are the revenue and expenses from the related parties for the year, followed by the account balances at the end of the year.

	2017	2016
	(thousands of dollars)	
Revenue		
eHealth Saskatchewan	\$ -	\$ 2
Ministry of Health	1,297	4,763
Ministry of Health – Grant Funding	-	289
Regional Health Authorities	-	51
Saskatchewan Workers' Compensation	8	4
University of Saskatchewan	1,986	460

Related Party Transactions (cont'd)

Expenses

3sHealth	\$ 8	\$ -
Capital Pension Plan	-	42
Ministry of Finance	-	3
Public Employees Pension Plan	247	200
Regional Health Authorities	446	446
Saskatchewan Health Research Foundation	63	63
Saskatchewan Opportunities Corporation (operating as Innovation Place)	371	369
Saskatchewan Polytechnic	16	-
Saskatchewan Workers' Compensation	5	6
SaskTel	7	7
University of Saskatchewan	286	31
Western Development Museum	5	-
Other	0	1

Accounts Payable

Public Employees Pension Plan	\$ 43	\$ 47
Regional Health Authorities	31	40
Saskatchewan Polytechnic	16	-
Saskatchewan Workers' Compensation	2	1
University of Saskatchewan	-	21
Other	1	1

Accounts Receivable

Regional Health Authorities	\$ -	\$ 26
University of Saskatchewan	1,646	159

Also, HQC pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

7. Financial Instruments

HQC has the following financial instruments: short-term investments, accounts receivable, accrued interest receivable, accounts payable, and payroll liabilities. The following paragraphs disclose the significant aspects of these financial instruments. HQC has policies and procedures in place to mitigate the associated risk.

a) Significant terms and conditions

There are no significant terms and conditions associated with the financial instruments that may affect the amount, timing, and certainty of future cash flows.

b) Interest rate risk

HQC is exposed to interest rate risk when the value of its financial instruments fluctuates due to changes in market interest rates. HQC does not have any long-term investments that may be affected by market pressures. HQC's receivables and payables are non-interest bearing.

c) Credit risk

HQC is exposed to credit risk from potential non-payment of accounts receivable. Most of HQC's receivables are from provincial agencies and the federal government; therefore, the credit risk is minimal.

d) Fair value

For the following financial instruments, the carrying amounts approximate fair value due to their immediate or short-term nature:

Short-term Investments
Accounts receivable
Accounts payable
Payroll liabilities

8. Budget

These amounts represent the operating budget that was approved by the Board of Directors – May 11, 2016.

9. Pension Plan

HQC is a participating employer in the Public Employees Pension Plan, a defined contribution pension plan. Eligible employees make monthly contributions of 6.35% of gross salary, which are matched by HQC. HQC's obligation to the plan is limited to matching the employee's contribution. HQC's contributions for this fiscal year were \$247,129 (2016 - \$241,128).

10. Contractual Commitments

As of March 31, 2017, HQC had the following commitments:

a) Office Rent

HQC holds a lease for office space with Saskatchewan Opportunities Corporation (operating as Innovation Place). The lease has been extended to December 31, 2018. The monthly cost is \$15,086 for the period of February 15, 2016 to December 31, 2018.

b) Saskatchewan Health Research Foundation (SHRF)

HQC has entered into an agreement with Saskatchewan Ministry of Health, University of Saskatchewan and Saskatchewan Health Research Foundation (SHRF) for grant administration. The agreement requires SHRF to administer funds on behalf of HQC. The agreement is effective from October 15, 2012 – October 14, 2017. The amount paid for grant administration in the current fiscal year is \$60,000 (2016 - \$60,000). The pricing schedule for the remaining time period is:

Period	Grant Administration
April 1, 2017 – Oct 14, 2017	\$ 32,258